

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Southern Lakes Reg Metro Parks & Rec Dist	County Genesee
Fiscal Year End 12/31/06	Opinion Date 05/01/07	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

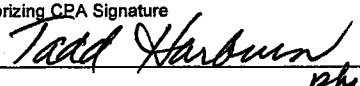
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>	None	
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number 810-767-5350		
Street Address 111 East Court Street, Suite 1A		City Flint	State MI	Zip 48502
Authorizing CPA Signature 		Printed Name Tadd Harburn		License Number 1101014134

**Southern Lakes Regional Metropolitan
Parks and Recreation District
Genesee County, Michigan
Financial Report
With Supplemental Information
December 31, 2006**

**Southern Lakes Regional Metropolitan
Parks and Recreation District
Financial Report
December 31, 2006**

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Introductory Section

**Southern Lakes Regional Metropolitan
Parks and Recreation District
List of Board Members**

David Osborn	Chairperson
Terry Wright	Vice Chairperson
Suzanne Lossing	Secretary
Justin Sprague	Treasurer
K.C. Baran	Commissioner
Daniel Zawlocki	Commissioner

Financial Section



Plante & Moran, PLLC

Suite 1A

111 E. Court St.

Flint, MI 48502

Tel: 810.767.5350

Fax: 810.767.8150

plantemoran.com

Independent Auditors' Report

To the Board of Commissioners
Southern Lakes Regional Metropolitan
Parks and Recreation District
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund of Southern Lakes Regional Metropolitan Parks and Recreation District (the "District") as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southern Lakes Regional Metropolitan Parks and Recreation District at December 31, 2006 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and other supplemental information, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Plante & Moran, PLLC

May 1, 2007

Management's Discussion and Analysis

**Southern Lakes Regional Metropolitan
Parks and Recreation District
Management's Discussion and Analysis**

Our discussion and analysis of Southern Lakes Regional Metropolitan Parks and Recreation District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the District's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2006:

- The District's fund balance increased by \$56,569.
- Total net assets related to the District's governmental activities increased by \$43,153. However, the unrestricted portion of the net assets increased by \$56,569.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the District's operations in more detail than the government-wide financial statements.

The District as a Whole

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior year:

	<u>2006</u>	<u>2005</u>
Capital assets	\$ 34,968	\$ 40,405
Current assets	<u>708,887</u>	<u>602,599</u>
Total assets	<u>743,855</u>	<u>643,004</u>
Current liabilities	<u>531,803</u>	<u>474,105</u>
Net assets:		
Invested in capital assets, net of related debt	<u>34,968</u>	<u>40,405</u>
Unrestricted	<u>177,084</u>	<u>128,494</u>
Total net assets	<u><u>\$212,052</u></u>	<u><u>\$168,899</u></u>

The governmental net assets increased 26 percent from a year ago – increasing from \$168,899 to \$212,052.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – increased by \$56,569 for the governmental activities. This represents an increase of approximately 44 percent. The current level of unrestricted net assets for governmental activities stands at \$177,084, or about 22 percent of expenditures.

The following table shows the changes in the net assets during the current year and as compared to the prior year:

	<u>2006</u>	<u>2005</u>
Revenue		
Program revenue:		
Charges for services	\$350,028	\$230,715
Operating grants	12,500	19,000
General revenue:		
Property taxes	422,368	402,386
Investment earnings	15,281	7,709
Miscellaneous	35,416	22,793
Total revenue	<u>835,593</u>	<u>682,603</u>
Program Expenses		
Recreation	<u>792,440</u>	<u>668,735</u>
Change in Net Assets	<u>\$ 43,153</u>	<u>\$ 13,868</u>

The commission's total governmental revenues increased by \$152,990, due to an expansion of programming, property taxes, interest income, and other revenues and an increase in the number of programs offered. The charges for service, which are the fees charged for the programs, increased due to the expansion of programs via the undertaking of the Fenton Community School Community Education programs. Property taxes increased due to the increase in the taxable value. Interest income increased due to market interest rates being on the rise. The other revenue is revenue received as contributions for a specific program.

Expenses increased by \$123,705 during the year. The increase is directly related to the expansion of programs for Fenton Community School Community Education programs.

The District's Funds

Our analysis of the District's only fund, the General Fund, begins on page 7.

General Fund Budgetary Highlights

Over the course of the year, the District amended the budget to take into account the expansion of programming due to the undertaking of the Fenton Community School Community Education program. The most significant change was an increase in the revenue of \$152,990 and an increase in the expenditures of \$93,816. This was a result of an increase in the number and type of programs offered and an increase in participation. Overall, the District stayed within budget, except for capital outlay and program administration. The General Fund's fund balance increased by \$56,569, from \$128,494 to \$185,063.

Capital Asset

At the end of 2006, the District had \$34,968 invested in capital assets, which include recreation equipment and office equipment.

Profile of the Southern Lakes Regional Metropolitan Parks and Recreation District (SLP&R)

SLP&R was established in November 2000 by a vote of the residents of Fenton Township and the Cities of Linden and Fenton. SLP&R is legally established under Michigan Compiled Law (MCL) P.A. 312 of 1929. The SLP&R service area is located in the southern part of Genesee County. SLP&R is supported by an operating millage of .4 mills adjusted for Headlee amendment rollbacks (on both real and personal property) and program/activity fees. In addition, SLP&R staff pursue local, state, and federal grant dollars for a variety of programs and projects. MCL P.A. 312 of 1929 also empowers SLP&R to bond and acquire property for the purpose of creating and managing a system of parks and facilities.

Policy-making authority is vested in a board consisting of six commissioners - two appointed from each municipality. The board is responsible for establishing organizational goals, adopting the annual budget, appointing committees, and hiring the executive director. The executive director is responsible for carrying out the policies of the board, for overseeing the day-to-day operations of SLP&R, and for hiring employees. Commissioners are appointed on a non-partisan basis and serve without pay. Board members serve three-year terms, with two board members appointed every year by the municipal governments in which they hold residency. Elected officials and employees of the representative governments may not be appointed to the District.

SLP&R provides recreation, athletic, enrichment, and cultural programs to residents. Nineteen percent of the annual millage levy provides financial support to the Loose Senior Center and is remitted directly to the Center.

The annual budget serves as the foundation for SLP&R's financial planning and control. The executive director presents this proposed budget to the board for review prior to October 31. The board is required to adopt a final budget no later than 60 days prior to the start of the fiscal year, which is January 1. The budget to actual comparisons are provided in this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which SLP&R operates.

Local Economy

SLPR currently enjoys a favorable economic environment and local indicators point to continued stability. The southern portion of Genesee County is the fastest growing part of the county and a desirable living area for professionals working in the Detroit/Ann Arbor areas. In addition, more "big box" chains are establishing themselves along U.S. 23, which basically cuts the SLP&R service area in half. The large number of lakefront homes provides a higher standard of living than may be seen in other parts of the county, thus providing a growing tax base with which to fund the District's services.

Long-term Financial Planning

The newness of SLP&R gives way for large growth opportunities. Since 2000, SLP&R has focused its attention on the development of recreation and enrichment programming, special seasonal events, and cooperative endeavors with local service clubs and youth organizations. SLP&R will continue to develop new programming as the market requires and has begun investigating park development and management. Management has identified that the local parks (currently managed and maintained by local municipalities) need modernization to meet the demands of its growing residency. SLP&R, through staff and board level visioning sessions, is in the first stages of developing a parks and facility philosophy.

Cash Management Policies and Practices

The District has an approved investment policy that restricts investments to CDs in any of three local banking establishments in the area. Management develops an operating budget based on the expected revenues of the upcoming fiscal year. Fund equity (or fund balance) is maintained at approximately 15 percent of the yearly operating budget. Designated funds for certain programs also exist in order to maintain start-up cash for yearly activities. Current returns on CD investments are approximately 4 percent.

Risk Management

Since its inception in 2000, SLP&R has put a portion of the millage collection into cash reserves. In addition, SLP&R takes part in yearly visits from its workers' compensation and liability carrier's risk management specialist. Staff also takes part in safety training that includes first-aid and adult/child CPR. SLP&R is also part of the Lake Fenton School District safety plan management team.

Pension and Other Employee Benefits

SLP&R provides full-time, salaried employees with a SIMPLE IRA, matching employees' contributions up to 3 percent of gross wages. The employees receive 3 percent to 12 percent of gross wages (depending on years of service) as an additional pension benefit in the form of additional compensation. Employees may select the financial institution of their choice with contributions made to their individual accounts biweekly.

SLP&R provides medical, dental, and vision benefits to full-time, salaried employees.

Basic Financial Statements

Southern Lakes Regional Metropolitan Parks and Recreation District
Statement of Net Assets and
Governmental Fund Balance Sheet
General Fund
December 31, 2006

	General Fund	Adjustments (Note II A)	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 145,662	\$ -	\$ 145,662
Investments - certificate of deposit	81,715	-	81,715
Accounts receivable	47,959	-	47,959
Taxes receivable	433,551	-	433,551
Capital assets - Net	-	34,968	34,968
Total assets	<u>\$ 708,887</u>	34,968	743,855
Liabilities			
Accounts payable	\$ 54,941	-	54,941
Payroll taxes and other liabilities	5,921	7,979	13,900
Deferred revenue	462,962	-	462,962
Total liabilities	<u>523,824</u>	7,979	531,803
Fund Balances/Net Assets			
Fund balance - Designated for Jubil Eve	10,523	(10,523)	-
Fund balance - Designated for youth football	8,569	(8,569)	-
Fund balance - Undesignated	165,971	(165,971)	-
Total fund balances	<u>185,063</u>	(185,063)	-
Total liabilities and fund balances	<u><u>\$ 708,887</u></u>		
Net Assets			
Invested in capital assets		34,968	34,968
Unrestricted		177,084	177,084
Total net assets		<u><u>\$ 212,052</u></u>	<u><u>\$ 212,052</u></u>

See notes to financial statements.

Southern Lakes Regional Metropolitan Parks and Recreation District
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance
General Fund
Year Ended December 31, 2006

	General Fund	Adjustments (Note II B)	Statement of Activities
Expenditures/Expenses			
Recreation	\$ 779,024	\$ 13,416	\$ 792,440
Program Revenues			
Charges for services - Activity fees	350,028	-	350,028
Operating grants - United Way and other	12,500	-	12,500
Total program revenues	362,528	-	362,528
Net program expenses			(429,912)
General Revenues			
Property taxes	422,368	-	422,368
Investment earnings	15,281	-	15,281
Miscellaneous	35,416	-	35,416
Total general revenues	473,065	-	473,065
Excess (deficiency) of revenues over expenditures	56,569	(56,569)	-
Change in net assets	-	43,153	43,153
Fund Balance/Net Assets			
Beginning of the year - As restated	128,494	40,405	168,899
End of the year	<u>\$ 185,063</u>	<u>\$ 26,989</u>	<u>\$ 212,052</u>

See notes to financial statements.

Notes to Basic Financial Statements

Southern Lakes Regional Metropolitan Parks and Recreation District
Notes to Financial Statements
December 31, 2006

I. Summary of significant accounting policies

The accounting policies of Southern Lakes Regional Metropolitan Parks and Recreation District (the "District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Southern Lakes Regional Metropolitan Parks and Recreation District:

A. Reporting entity

Southern Lakes Regional Metropolitan Parks and Recreation District was formed on November 20, 2000, by an agreement between the City of Fenton, Fenton Township, and the City of Linden, to provide and maintain recreational programs and facilities for citizens in the southern Genesee County area.

The District is governed by a six-member board. Two members are appointed by each of the governing bodies of the participating members.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or units of government who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District does not have any proprietary or fiduciary funds.

Governmental fund financial statements (i.e., the balance sheet and governmental statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue source meets the availability criterion - interest associated with the current fiscal period.

Southern Lakes Regional Metropolitan Parks and Recreation District
Notes to Financial Statements
December 31, 2006

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following governmental fund:

General Fund - The General Fund is the District's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to first apply restricted resources.

Property tax revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The District's 2005 tax is levied and collectible on December 1, 2005, and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the District totaled \$1,136,791,551, on which taxes levied consisted of 0.3770 mills for operating purposes. This resulted in \$422,368 for operations. This amount is recognized in the respective General Fund financial statements as tax revenue.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

2. Receivables and payables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

3. Capital assets

Capital assets, which include vehicles and equipment, are reported only in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 for administrative equipment and \$2,000 for recreation equipment and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Southern Lakes Regional Metropolitan Parks and Recreation District
Notes to Financial Statements
December 31, 2006

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

3. Capital assets – (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Vehicles and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office equipment	7
Recreation equipment	7
Vehicles	5

4. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. There are no reservations of fund balance at December 31, 2006. Designations of fund balance represent tentative management plans that are subject to change.

5. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of government-wide and fund financial statements

A. Reconciliation of the fund balance as reported in the governmental fund balance sheet to the statement of net assets

Total governmental funds fund balance as reported in the balance sheet governmental funds	\$185,063
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	34,968
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Accrued long-term liabilities not reported in the funds	<u>(7,979)</u>
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Net assets – Governmental Activities	<u><u>\$212,052</u></u>
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Southern Lakes Regional Metropolitan Parks and Recreation District
Notes to Financial Statements
December 31, 2006

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$ 56,569
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Accrued long-term liabilities are not reported in the funds.

The details of these differences are as follows:

Accrued compensated absences	(7,979)
Depreciation expense	<u>(5,437)</u>
Change in net assets – statement of activities	<u>\$ 43,153</u>

III. Stewardship, compliance, and accountability

Budgetary information

The District followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January 1, a proposed operating budget was submitted to the District board for the year commencing January 1. The operating budget, which is prepared on a basis consistent with generally accepted accounting principles, included total proposed expenditures and the means of financing them for the General Fund.
2. The budget was legally adopted on an activity basis by the District board.
3. Any revisions that alter the expenditures of an activity of the General Fund must be approved by the Board.
4. Budget appropriations lapse at year end.

Budgeted amounts are reported on the financial statements as originally adopted and as amended by the District board.

Budget compliance

The District incurred expenditures in excess of the final budget as follows:

	Actual Over <u>Budget</u>
Program administration	\$ 4,540
Capital outlay	1,858

Southern Lakes Regional Metropolitan Parks and Recreation District
Notes to Financial Statements
December 31, 2006

IV. Detailed notes on all funds

A. Deposits and investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local government units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of the United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The District has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit. The District's deposits and investment policies are in accordance with statutory authority.

The District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. At year end, the District had \$82,707 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. At year end, \$156,320 of investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

Southern Lakes Regional Metropolitan Parks and Recreation District
Notes to Financial Statements
December 31, 2006

IV. Detailed notes on all funds – (continued)

B. Capital assets

Capital asset activity for the year ended December 31, 2006 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets being depreciated:				
Office equipment	\$ 35,839	\$ -	\$ -	\$ 35,839
Recreation equipment	33,538	-	-	33,538
Vehicles	24,111	-	-	24,111
Total capital assets being depreciated	93,488	-	-	93,488
Less accumulated depreciation for:				
Office equipment	(16,717)	(4,198)	1,452	(19,463)
Recreation equipment	(12,255)	(5,103)	2,412	(14,946)
Vehicles	(24,111)	-	-	(24,111)
Total accumulated depreciation	(53,083)	(9,301)	3,864	(58,520)
Total capital assets being depreciated, net	40,405	(9,301)	3,864	34,968
Governmental activities capital assets, net	<u>\$ 40,405</u>	<u>\$ (9,301)</u>	<u>\$ 3,864</u>	<u>\$ 34,968</u>

C. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, property tax revenues of \$462,962 have been deferred.

D. Facilities

The District entered into a new lease agreement with Lake Fenton Schools in July 2005. The lease period is July 1, 2005 through June 30, 2008, renewable each January. Total rent expense was \$35,000 for 2006.

E. Retirement

The District provides a SIMPLE IRA plan for those employees who are eligible. There were four participants in the plan at December 31, 2006. The plan allows for the employees to defer income. The District made \$4,092 in contributions to the plan as of December 31, 2006.

Required Supplementary Information

Southern Lakes Regional Metropolitan Parks and Recreation District
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2006

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	\$ 428,570	\$ 428,570	\$ 422,368	\$ (6,202)
Local grants	12,500	12,500	12,500	-
Charges for services - Fees	281,680	377,680	350,028	(27,652)
Interest and dividends	7,500	7,500	15,281	7,781
Other revenues	4,200	18,950	35,416	16,466
Total revenues	734,450	845,200	835,593	(9,607)
Expenditures				
Current:				
Recreation:				
Program administration	360,070	380,560	385,100	(4,540)
Program activities	280,580	355,480	305,533	49,947
Grants - Loose Senior Center	82,000	82,000	80,533	1,467
Capital outlay	6,000	6,000	7,858	(1,858)
Total expenditures	728,650	824,040	779,024	45,016
 Excess of revenues over expenditures	 5,800	 21,160	 56,569	 35,409
Fund Balance - Beginning of year	128,494	128,494	128,494	-
Fund Balance - End of year	\$ 134,294	\$ 149,654	\$ 185,063	\$ 35,409

Note: The budget is prepared on the same basis as generally accepted accounting principles.

Other Supplemental Information

Southern Lakes Regional Metropolitan Parks and Recreation District
General Fund
Schedule of Expenditures
Year Ended December 31, 2006

Recreation program administration:

Training/Conferences	\$ 2,783
Professional fees	7,407
Travel	3,896
Publishing	21,834
Director wages	55,814
Secretary clerk salary	28,683
Administrative wages	29,906
Recreation program wages	24,573
Part-time wages	10,068
Facility supervisor	9,595
Arts coordinator wages	35,782
Additional compensation	9,197
Postage	2,432
Office supplies	8,331
Maintenance supplies	475
Vehicle repair and maintenance	309
Membership and dues	1,527
Telephone	2,394
Advertising	8,204
Bank charges	2,059
Recreation equipment repair and maintenance	561
Office equipment repair and maintenance	2,492
Rent	35,000
FICA	18,556
Retirement	4,092
Life insurance	423
Medical insurance	45,565
Insurance - General	7,263
Workmen's compensation	3,249
Co-Sponsorship	2,630

Total recreation program administration	385,100
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Recreation program activities:

Amusement park	7,370
Arts and crafts - Youth	2,891
Artist workshop	5,006
Academics	2,089
Basketball - Adult	801
Basketball - Youth	16,014
Cheerleading	8,344
Child development	2,669
Dance	14,437

(continued)

Southern Lakes Regional Metropolitan Parks and Recreation District
General Fund
Schedule of Expenditures (continued)
Year Ended December 31, 2006

Recreation program activities (continued):

Drama - Youth	\$ 5,057
Dodgeball	2,019
Equestrian team	2,891
Fitness	20,933
Football	33,937
Football - Instructional	2,171
Flag football	5,118
Golf - Youth	4,267
Golf - Adult	2,781
Golf League	5,428
Gymnastics	26,378
Jubil Eve	41,840
Karate	6,892
Miscellaneous	15,182
Safety	3,351
Scholarships	1,588
Soccer - Youth	7,708
Softball - Youth	1,458
Special events	9,048
Swimming	19,857
Tennis - Youth	1,706
Tennis - Adult	1,044
Table Tennis	3,758
United Way grant	5,208
Wrestling	7,599
Volleyball - Adult	3,847
Volleyball - Youth	4,846

Total recreation program activities	305,533
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Grants - Loose Senior Center	80,533
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Total current expenditures	771,166
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Capital outlay:

Program activities equipment	2,029
Program administrative equipment	5,829

Total capital outlay	7,858
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Total expenditures	\$ 779,024
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Plante & Moran, PLLC

Suite 1A
111 E. Court St.
Flint, MI 48502
Tel: 810.767.5350
Fax: 810.767.8150
plantemoran.com

May 1, 2007

To the Members of the Board of Commissioners
Southern Lakes Regional Metropolitan
Parks and Recreation District
Genesee County, Michigan

We recently completed our audit of the basic financial statements of Southern Lakes Regional Metropolitan Parks and Recreation District for the year ended December 31, 2006. As a result of our audit, we have the following comments and recommendations for your review and consideration.

Property Tax Form L-4029 "Tax Rate Request" (repeat comment)

This is an annual form sent to the County requesting and disclosing the annual millage rate to be applied to properties for the parks and recreation millage. The form asks the District to document the expiration date of the millage. The 2005 form indicated that the millage was "perpetual." We have the understanding that the millage is a 20-year millage and, as such, the form should document the date of expiration.

We would like to thank Vince Paris and Shirley Coifu, as well as all of the District's personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comment and recommendation, we would be happy to discuss it at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn".

Tadd Harburn